

MUSCLE SHOALS

FEBRUARY 7, 1925.—Ordered to be printed

Mr. McKENZIE, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 518]

The committee on conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 518) "To authorize and direct the Secretary of War, for national defense in time of war and for the production of fertilizers and other useful products in time of peace, to sell to Henry Ford, or a corporation to be incorporated by him, nitrate plant number 1, at Sheffield, Alabama; nitrate plant numbered 2, at Muscle Shoals, Alabama; Waco Quarry, near Russellville, Alabama; steam power plant to be located and constructed at or near Lock and dam Numbered 17 on the Black Warrior River, Alabama, with right of way and transmission line to nitrate plant Numbered 2, Muscle Shoals, Alabama; and to lease to Henry Ford, or a corporation to be incorporated by him, Dam Numbered 2 and Dam Numbered 3 (as designated in House Document 1262, Sixty-fourth Congress, first session), including power stations when constructed as provided herein, and for other purposes," having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and concur therein with an amendment, as follows:

In lieu of the matter proposed by said amendment, insert:

An Act to provide for the national defense; for the production and manufacture of fixed nitrogen, commercial fertilizer, and other useful products, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

Section 1. That the United States nitrogen fixation plants numbered 1 and 2, located, respectively, at Sheffield, Alabama, and Muscle Shoals, Alabama, together with all real estate and buildings used in connection

therewith; all tools, machinery, equipment, accessories, and materials thereunto belonging; all laboratories and plants used as auxiliaries thereto, the Waco limestone quarry in Alabama, and any others used as auxiliaries of said nitrogen plants numbered 1 and 2; also Dams numbered 2 and 3 located in the Tennessee River at Muscle Shoals, their power houses, their auxiliary steam plants and all of their hydroelectric and operating appurtenances, together with all machines, lands, and buildings now owned or hereafter acquired in connection therewith, are hereby dedicated and set apart to be used for national defense in time of war, and for the production of fertilizers and other useful products in time of peace.

Sec. 2. That whenever, in the national defense, the United States shall require all or any part of the operating facilities and properties or renewals and additions thereto, described and enumerated in the foregoing paragraph of this act, for the production of materials necessary in the manufacture of explosives or other war materials, then the United States shall have the immediate right, upon five days' notice to any person or persons, corporation, or agent, in possession of, controlling, or operating said property under any claim or title whatsoever, to take over and operate the same in whole or in part, together with the use of all patented processes which the United States may need in the operation of said property for national defense, but any lease hereunder and all contracts for power sold under said lease shall contain the proviso that the power may be recalled by the United States if and when needed in the prospect, or event of war, without payment of or liability for damages to consumers or others so deprived of said power, and no contract or lease shall be valid which does not include this proviso.

The foregoing clauses shall not be construed as modified, amended, or repealed by any of the subsequent sections or paragraphs of this act, or by indirection of any other act.

Sec. 3. That in order that the United States may have at all times an adequate supply of nitrogen for the manufacture of powder and other explosives, whether said property is operated and controlled directly by the Government or its agents, lessees, or assigns, under any and all circumstances the amount of fixed nitrogen specified in section 4 hereof must be produced annually on said property and with nitrogen fixation plant numbered 2, or its equivalent, and no lease, transfer, or assignment of said property shall be legal or binding on the United States unless such adequate annual production of fixed nitrogen is guaranteed in such lease, transfer, or assignment.

Sec. 4. That since the production and manufacture of commercial fertilizers is the largest consumer of fixed nitrogen in time of peace, and its manufacture, sale, and distribution to farmers and other users, at fair prices and without excessive profits, in large quantities throughout the country is only second in importance to the national defense in time of war, the production of fixed nitrogen as provided for in this act shall be used, when not required for national defense, in the manufacture of commercial fertilizers. In order that the experiments heretofore ordered made may have a practical demonstration, and to carry out the purposes of this act, the lessee or the corporation shall manufacture nitrogen and other commercial fertilizers, mixed or unmixed, and with or without filler, on the property hereinbefore enumerated, or at such other plant or plants near thereto as it may construct, using the most economic source of power available, with an annual production of these fertilizers

that shall contain fixed nitrogen of at least ten thousand tons during the third year of the lease period and in order to meet the market demand, said annual production shall be increased to not less than forty thousand tons the tenth year of the lease period, the terms and conditions governing the annual production within said ten-year period shall be determined by the President: *Provided*, That if in the judgment of the President, the interest of national defense and agriculture will obtain the benefits resulting from the maintenance of nitrogen fixation plant numbered 2 or its equivalent in operating condition by so doing, then he is authorized to substitute the production of fertilizers containing available phosphoric acid (computed as phosphoric anhydride P 205) for not more than 25 per cent of the nitrogen production herein specified at the rate of not less than 4 tons of phosphoric acid annually for each annual ton of nitrogen for which the substitution is made.

The farmers and other users of fertilizer shall be supplied with fertilizers at prices which shall not exceed 8 per centum above the fair annual cost of production.

Sec. 5. That the President is hereby authorized and empowered to lease the properties, enumerated under section 1 of this act as a whole, with proper guaranties for the performance of the terms of the lease, for a period not to exceed fifty years: *Provided*, That the terms and conditions being equal, the said lessee shall have the preferred right to negotiate with the United States for a lease upon such terms as may then be prescribed by Congress, and *Provided* further, That if the United States shall terminate said lease at the end thereof, it shall resume full possession of its property by and in consideration of a payment to the lessee of the then fair value of the improvements upon or in connection with said property, made by the said lessee, and which are dependent for their commercial usefulness to the lessee in the production of fertilizer and fertilizer products, upon the continuation of the lease: *Provided*, That said lease shall be made only to an American citizen, or citizens, or to an American owned, officered, and controlled corporation; and, if leased, in the event at any time the ownership in fact or the control of such corporation should directly or indirectly come into the hands of an alien or aliens, or into the hands of an alien owned or controlled corporation or organization, then said lease shall at once terminate and the properties be restored to the United States. The Attorney General of the United States is given full power and authority, and it is hereby made his duty to proceed at once in the courts for cancellation of said lease in the event said properties are found to be alien owned or controlled and are not voluntarily restored. The lessee shall be required and obligated to carry out in the production of nitrogen and the manufacture and sale of commercial fertilizer the purposes and terms enumerated in sections 1, 2, 3, and 4 of this act and such other terms not inconsistent therewith as may be agreed to in the lease contract. The lessee shall pay an annual rental for the use of said property an amount that shall not be less in the aggregate than 4 per centum for the period of the lease on the total sum of money expended in the building and construction of Dam Numbered 2 and upon Dam Numbered 3 after completion, which shall be paid in full each year unless it be shown that due to expenditures in development and improved equipment for the production of fertilizer as provided herein, the lessee may be granted a deferred payment, which shall draw interest at the rate of 4 per centum annually after the first six years of the lease period at either or both dams: *Provided*, however, That no interest payment shall be required

upon the cost of the locks at Dam Numbered 2 and Dam Numbered 3, nor upon an additional amount to be determined by the President as representing the value of this development to navigation improvement. The lease shall also provide the terms and conditions under which the lessee may sell and dispose of the surplus electric power created at said plants. The lease shall also provide for the protection of navigation at said Dams Numbered 2 and 3, and the lessee shall be required to supply sufficient electrical power to operate all navigation locks at Dams Numbered 2 and 3, free of cost to the United States. The lease contemplated in this section shall be made with the understanding that the United States shall complete and have ready for operation Dams Numbered 2 and 3 and the locks connected therewith, together with the plants and machinery for the production of electric power, and that after the lease is entered into the lessee shall maintain the property covered by the lease in good repair and working condition for the term of the contract: Provided, however, that the lessee shall not be required to guarantee the stability of the leased dams nor assume responsibility in case of loss due to acts of Providence nor of enemies of the Government. Time shall be made of the essence of the contract herein provided for, and failure on the part of the lessee to comply with the terms of said contract shall render the same terminable upon six months' notice at the option of the United States, whereupon the United States shall proceed immediately to maintain and operate the leased properties as provided herein: Provided, That the United States shall have shown in a proceeding in equity in the United States district court that said failure has actually occurred: And provided further, That such court action shall have been sought within one year following the alleged breach of said contract.

Sec. 6. That in the event the President is unable to make a lease under the terms of the power herein granted to him before the 1st day of December, 1925, then the United States shall maintain and operate said properties described in section 1, in compliance with the terms and conditions set forth in sections 1, 2, 3, and 4 of this act, and under the power and authority prescribed and granted in the following sections of this act.

Sec. 7. That the President is hereby authorized and empowered to designate any five persons to act as an organization committee for the purpose of organizing a corporation under authority of, and for the purpose enumerated in, this act.

Organization

The persons so designated shall, under their seals, make an organization certificate, which shall specifically state the name of the corporation to be organized, the place in which its principal office is to be located, the amount of capital stock, and the number of shares into which the same is divided, and the fact that the certificate is made to enable the corporation formed to avail itself of the advantages of this act. The name of the corporation shall be The Muscle Shoals Corporation.

The said organization certificate shall be acknowledged before a judge of some court of record or notary public, and shall be, together with acknowledgment thereof, authenticated by the seal of such notary or court, transmitted to the President, who shall file, record, and carefully preserve the same in his office. Upon the filing of such certificate with the President as aforesaid, the said corporation shall become a body

corporate, and as such, and in the name *The Muscle Shoals Corporation*, have power—

First. To adopt and use a corporate seal;

Second. To have succession for a period of fifty years from its organization, unless it is sooner dissolved by an act of Congress, or unless its franchise becomes forfeited by some violation of law;

Third. To make contracts, and no such contract shall extend beyond the period of the life of the corporation;

Fourth. To sue and be sued, complain, and defend in any court of law or equity;

Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this act; to define their duties, to fix their salaries, in its discretion to require bonds of any of them, and to fix the penalty thereof, and to dismiss at pleasure any of such officers or employees;

Sixth. To prescribe by its board of directors by-laws not inconsistent with law regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised and enjoyed;

Seventh. To exercise by its board of directors or duly authorized officers or agents all powers specifically granted by the provisions of this act and such incidental powers as shall be necessary to carry on the business for which it is incorporated within the limitations prescribed by this act, but such corporation shall transact no business except such as is incidental and necessary preliminary to its organization until it has been authorized by the President to commence business under the provisions of this act.

The corporation shall be conducted under the supervision and control of a board of directors consisting of five members, to be selected by the President. The directors so appointed shall hold office at the pleasure of the President. The President shall designate a chairman of the board, who shall have power to designate one of the others as vice chairman. The vice chairman shall perform the duties of chairman in the absence of the chairman. Not more than two of such directors shall be appointed from officers in the War Department.

The board of directors shall perform the duties usually appertaining to the office of directors of private corporations and such other duties as are prescribed by law.

Powers of the corporation

The corporation shall have power—

(a) To purchase, acquire, operate, and develop in the manner prescribed by this act and subject to the limitations and restrictions thereof the following properties owned by the United States:

1. United States nitrogen-fixation plants numbered 1 and 2, located, respectively, at Sheffield, Alabama, and Muscle Shoals, Alabama, together with (a) all real estate used in connection therewith; (b) all tools, machinery, equipment, accessories, and materials thereunto belonging; (c) all laboratories and plants used as auxiliaries thereto, the Waco limestone quarry in Alabama, Dam Numbered 2 at Muscle Shoals and the hydroelectric power plant connected therewith, together with the steam plants used as auxiliaries of the United States nitrogen-fixation plants

numbered 1 and 2, together with all other property described in section 1 of this act.

2. To construct, purchase, maintain, and operate all such buildings, plants, and machinery as may be necessary for the production, manufacture, sale, and distribution of fixed nitrogen and other forms of commercial fertilizer.

3. Any other plants or parts of plant, equipment, accessories, or other properties belonging to the United States, which are under the direct control of the President or of the War Department, and which the President may deem it advisable to transfer, convey, or deliver to said corporation for use in connection with any of the purposes of this act or for any purpose incidental thereto.

(b) To acquire, establish, maintain, and operate such other laboratories, and experimental plants as may be deemed necessary or advisable to assist it in furnishing to the United States Government and others, at all times, nitrogen products for military or other purposes in the most economical manner and of the highest standard of efficiency.

(c) To sell to the United States such nitrogen products as may be manufactured by said corporation for military or other purposes.

(d) To sell any or all of its products not required by the United States to producers or users of fertilizers or to others: Provided, That in the sale of such products not required by the United States Government preference shall be given to those persons engaged in agriculture: Provided further, That if such products are sold to others than users of fertilizers the corporation shall require as a condition of such sale, the consent of the purchaser to the regulation by the corporation of the prices to be charged users for the product so purchased or any product of which the product purchased from the corporation shall form an ingredient.

(e) The operation of the hydroelectric power plant and steam-power plants at Muscle Shoals and the use and sale of the electric power to be developed therefrom that is not required to carry out the terms imposed by sections 1, 2, 3, and 4 of this act.

(f) To enter into such agreements and reciprocal relations with others as may be deemed necessary or desirable to facilitate the production and sale of nitrogen products on the most scientific and economic basis.

(g) To purchase, lease, or otherwise acquire United States or foreign patents and processes or the right to use such patents or processes.

(h) To require an agreement of its officers or employees, as a condition of their employment, that said corporation may obtain domestic or foreign patents upon all discoveries or inventions of said officers or employees made while in the employ of the corporation, and that the said patents shall be and become in whole or in part the property of the corporation.

(i) To assume any or all obligations of the United States entered into in connection with the construction, maintenance, and operation of the plants to be transferred to the corporation under the provisions of this act.

(j) To deposit its funds in any Federal reserve bank, or with any member bank of the Federal reserve system.

(k) To sell and export any of its surplus products not purchased by the United States or by persons, firms, or corporations within the United States.

(l) To invest any surplus of available funds not immediately used for the operation, construction, or maintenance of its plants or properties in United States bonds or other securities issued by the United States.

(m) To lease or purchase such buildings or properties as may be deemed necessary or advisable for the administration of the affairs of the corporation or for carrying out the purposes of this act; and with the approval of the President to lease to other persons, firms, or corporations, or to enter into agreements with others for the operation of such properties not used or needed for the purposes named herein. In the operation, maintenance, and development of the plants purchased or acquired under this act, the corporation shall be free from the limitations or restrictions imposed by the act of June 3, 1916, and shall be subject only to the limitations and restrictions of this act.

Capital stock and bonds

The capital stock of the corporation shall consist of one hundred shares of common stock of no par value. The corporation shall also issue an amount of twenty-year bonds bearing interest at the rate not exceeding 5 per centum per annum which shall be a first lien on the property of the corporation and in an amount not to exceed \$50,000,000, to be sold from time to time as needed to carry out the purpose of this act; Provided, That the principal and interest of said bonds shall be paid by the Secretary of the Treasury out of funds in the Treasury not otherwise appropriated upon default at any time in payment as herein provided by the corporation. The terms for the sale of said bonds shall be approved by the President.

In exchange for the properties purchased or acquired from the United States and from time to time transferred, conveyed, or delivered to the corporation by the President or the Secretary of War, and for all unexpended balances now under the control of the Secretary of War and applicable to the nitrate plants at or near Muscle Shoals, Alabama, the corporation shall cause to be executed and delivered to the President a certificate for all of the common stock of the corporation. The certificate shall be evidence of the ownership by the United States of all stocks of the corporation.

In consideration of the issuance of such common stock to the President, the President is authorized and empowered to transfer, convey, and deliver to the corporation all of the real estate, buildings, tools, equipment, supplies, and other properties, belonging to, used by, or appertaining to the plants and properties to be acquired by the corporation under the terms of this act, and to transfer, convey, and deliver as and when he may deem it advisable any other equipment, accessories, plants, or parts of plants, or other property referred to in this act, and which the corporation is authorized to acquire or purchase from the United States under its provisions.

Distribution of earnings

All net earnings of the corporation, not required for its organization, operation, and development, shall be used—

- (a) To pay interest on the bonds and create a fund for their payment;
- (b) To develop and improve its plants and equipment;
- (c) To create a reserve or surplus fund until such fund amounts to \$2,500,000;
- (d) The remainder to be paid as dividends on the stock into the Treasury of the United States as miscellaneous receipts.

Miscellaneous

The corporation shall not have power to mortgage or pledge its assets or to issue bonds secured by any of its properties; except as hereinbefore provided.

The United States shall not be liable for any debts, obligations, or other liabilities of the corporation, except the principal and interest of the bond issue herein provided for.

The corporation and all of its assets shall be deemed and held to be instrumentalities of the United States and as such they and the income derived therefrom shall be exempt from Federal, State, and local taxation. The directors, officers, attorneys, experts, assistants, clerks, agents, and other employees of the corporation shall not be officers or employees of the United States within the meaning of any statutes of the United States and the property and moneys belonging to said corporation, acquired from the United States, or from others, shall not be deemed to be the property and money of the United States, within the meaning of any statutes of the United States.

The accounts of the corporation shall be audited under the regulations to be prescribed by the President, who shall annually report to Congress a detailed statement of the fiscal operations of said corporation.

Sec. 8. That the President is hereby authorized to complete the construction of Dam Number 3 and the necessary approach to the locks in Dam Number 2 in the Tennessee River at or near Muscle Shoals, Alabama, in accordance with report submitted in House Document 1262, Sixty-fourth Congress, first session: Provided, That the President may in his discretion make such modifications in the plans presented in such report as he may deem advisable in the interest of power or navigation, and the President is hereby authorized to include Dam Numbered 3 in the same lease with Dam Numbered 2 and, except as otherwise indicated, said lease shall be under the same terms as are herein specified for said Dam Numbered 2.

The appropriation of \$3,472,487.25, the same being the amount of the proceeds received from the sale of the Gorgas steam power plant is hereby authorized for the continued investigation and construction by contract or otherwise as may be necessary to prosecute said project to completion. Further expenditures to be paid for as appropriations may from time to time be made by law.

Sec. 9. That the surplus power not required for the fixation of nitrogen or for the manufacture of fertilizers or other useful products which will reduce the cost of the fertilizers, shall be sold for distribution: Provided, That all contracts for the sale of said power for public utility or industrial purposes shall contain the proviso that said power may be withdrawn on reasonable notice, at any time during the lease period, if and when said power is needed for the manufacture of fertilizers.

That as a condition of any lease, entered into under the provisions of this act, every lessee hereunder which is a public-service corporation, or a person, association, or corporation developing, transmitting, or distributing power under the lessee either immediately or otherwise, for sale or use in public service, shall abide by such reasonable regulation of the services rendered to customers or consumers of power, and of rates and charges of payment thereof, as may from time to time be prescribed by any duly constituted agency of the State in which the service is rendered or the rate charged. That in case of the development, transmission,

or distribution, or use in public service of power by any lessee hereunder or by its customer engaged in public service within a State which has not authorized and empowered a commission or other agency or agencies within said State to regulate and control the services to be rendered by such lessee or by its customer engaged in public service, or the rates and charges of payment thereof, or the amount or character of securities to be issued by any of said parties, it is agreed as a condition of such lease that jurisdiction is hereby conferred upon the commission created by the act of Congress approved June 10, 1920, upon complaint of any person aggrieved or upon its initiative, to exercise such regulation and control until such time as the State shall have provided a commission or other authority for such regulation and control: *Provided*, That the jurisdiction of the commission shall cease and determine as to each specific matter of regulation and control prescribed in this section as soon as the State shall have provided a commission or other authority for the regulation and control of that specific matter.

That when said power or any part thereof shall enter into interstate or foreign commerce the rates charged and the service rendered by any such lessee, or by any subsidiary corporation, the stock of which is owned or controlled directly or indirectly by such lessee, or by any person, corporation, or association purchasing power from such lessee for sale and distribution or use in public service shall be reasonable, nondiscriminatory, and just to the customer and all unreasonable, discriminatory, and unjust rates or services are hereby prohibited and declared to be unlawful; and whenever any of the States directly concerned has not provided a commission or other authority to enforce the requirements of this section within such State or to regulate and control the amount and character of securities to be issued by any of such parties or such States are unable to agree through their properly constituted authorities on the services to be rendered or on the rates or charges of payment therefor, or on the amount or character of securities to be issued by any of said parties, jurisdiction is hereby conferred upon the said commission, upon complaint of any person aggrieved, upon the request of any State concerned, or upon its own initiative to enforce the provisions of this section, to regulate and control so much of the services rendered, and of the rates and charges of payment therefor as constitute interstate or foreign commerce and to regulate the issuance of securities by the parties included within this section, and securities issued by the lessee subject to such regulations shall be allowed only for the bona fide purpose of financing and conducting the business of such lessee.

The administration of the provisions of this section, so far as applicable, shall be according to the procedure and practice in fixing and regulating the rates, charges, and practices of railroad companies as provided for in the Act to regulate commerce, approved February 4, 1887, as amended, and that the parties subject to such regulation shall have the same rights of hearing, defense, and review as said companies in such cases.

In any valuation hereunder for purposes of rate making no value shall be claimed or allowed for the rights granted by this act or under any lease executed thereunder.

Sec. 10. That any lease made under the terms of this act shall provide that not less than \$50,000 shall be expended annually for ten years, and thereafter such an amount as the President may designate by the lessee in electrochemical research at Muscle Shoals having for its object the im-

proved and cheapened production of high-grade fertilizer materials, and of war gases, light metals, and other electrochemical or electric-furnace products suitable for use in national defense. Said research shall not be confined to laboratory work but shall include investigations made on a commercial or semicommercial scale, and the lessee shall adopt and install such improved processes as in the judgment of the lessee are determined to be commercially superior to those in use at the time, and the power released by the employment of improved processes shall be utilized for fertilizer production so far as it may be necessary or desirable to do so in order to meet the commercial demand for the fertilizers produced.

Sec. 11. The President is hereby authorized and empowered to employ such advisory officers, experts, agents, or agencies as may in his discretion be necessary to enable him to carry out the purposes herein specified, and the sum of \$100,000 is hereby authorized, to enable the President of the United States to carry out the purposes herein provided for.

Sec. 12. That in order that farmers and other users of fertilizer may be supplied with fertilizers at a maximum net profit not exceeding 8 per centum annually upon the fair annual cost of production, the lessee shall agree to the creation of a board of not more than nine (9) voting members, chosen as follows: The three (3) leading representative farm organizations, national in fact, namely, the American Farm Bureau Federation, the National Grange, the Farmers' Educational and Cooperative Union of America, or their successor or successors (said successor or successors to be determined, in case of controversy, by the Secretary of Agriculture), shall each designate not more than seven (7) candidates for said board in the first instance and thereafter, for succession in office, not more than three (3) candidates. The President shall select for membership on this board not more than seven (7) of these candidates, selected to give representation to each of the above-mentioned organizations, and there shall be two voting members of said board selected by the lessee: Provided, That not more than one shall be selected by the President from the same State: Provided further, That if either or any of said farm organizations or its or their successors by reason of the expiration of its or their charter or ceasing to function or failing to maintain its organization or for any cause or reason should decline, fail, or neglect to make such designations, then the Secretary of Agriculture shall make such designation or designations for such or all of said organizations as may so decline, fail, or neglect to make such designation; and if such designation is made by the Secretary of Agriculture for only one or two of said organizations, then such designation shall be made so as to give the remaining organization or organizations the same right and in the same proportion to designate candidates for said board as in the first instance and just as though all of said organizations were making such designations: Provided, however, That a failure to make designations at any one time shall not thereafter deprive any organization of its original rights under this section: And provided further, That the terms of office of the first seven candidates selected by the President on the designation of said farm organizations shall be as follows: Two for a period of two years, two for a period of four years, and the remaining three for a period of six years, and thereafter the nominations for membership on said board made by the President, except for unexpired terms, shall be for six years each. None of the members of said board shall draw compensation from the Government, except that

any which may be nominated on the designation of the Secretary of Agriculture under the provisions hereof shall receive from the Government their actual expenses while engaged in work on said board. A representative of the Bureau of Markets, Department of Agriculture, or its legal successor, to be appointed by the President, shall also be a member of the board serving in an advisory capacity without the right to vote. The said board shall employ a competent and disinterested firm of certified public accountants satisfactory to the lessee, which accountants shall determine for the said board what has been the cost of manufacture and sale of fertilizer products and the price which has been charged therefor. The said board shall have authority if necessary, for the purpose of limiting the annual profit to 8 per centum as aforesaid, to regulate the price at which said fertilizers may be sold by the lessee. The said firm of certified public accountants for these purposes shall have access to the books and records of the company at any reasonable time. In order that such fertilizer products may be fairly distributed and economically purchased by farmers and other users thereof, the said board shall determine the equitable territorial distribution of the same and may in its discretion make reasonable regulation for the sale of all or a portion of such products by the company to farmers, their agencies or organizations.

Sec. 13. If any clause, sentence, paragraph, or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Sec. 14. That no lease made under the terms of this act shall be transferred without the approval of the President of the United States.

Sec. 15. That all laws and parts of laws in conflict herewith be, and the same are hereby, repealed.

And the Senate agree to the same.

JOHN C. MCKENZIE,
JOHN M. MORIN,
PERCY E. QUIN,

Managers on the part of the House.

HENRY W. KEYES,
W. B. MCKINLEY,
JOHN B. KENDRICK,

Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the House bill (H. R. 518) submit the following detailed written statement in explanation of the effect agreed upon and recommended in the conference report filed herewith.

The Senate having stricken out the entire House bill, and substituted therefor an entire new bill, which in turn was disagreed to by the House, the whole subject of the production of nitrates in time of war, and fertilizer in time of peace at Muscle Shoals came before the conference committee.

All reference in this statement shall be understood to refer to the Senate amendment to the House bill unless otherwise stated.

The first material change from the Senate amendment contained in the substitute is the inclusion of Dam No. 3, which change is set forth in section No. 1. This change is in harmony with the original House bill.

The next material change from the Senate amendment is found in the next to the last paragraph in section 2, by striking out the period and adding the following: "but any lease hereunder, and all contracts for power sold under said lease shall contain the proviso that the power may be recalled by the United States if and when needed in the prospect or event of war, without payment of, or liability for damages to customers or others so deprived of said power and no contract or lease shall be valid which does not include this proviso."

The next material change is in section 3, which strikes out lines 18, 19, 20, and 21, and inserts in lieu thereof the following: "The amount of fixed nitrogen specified in section 4 hereof must be produced annually on said property and with nitrogen-fixation plant numbered 2, or its equivalent, and no"

The next change is in section 4. The words "according to demand" are stricken out in line 14, page 21. Following this in same section, beginning with the word "at" in line 18, the remainder of the paragraph is stricken out and the following language substituted:

At least ten thousand tons during the third year of the lease period and in order to meet the market demand, said annual production shall be increased to not less than forty thousand tons the tenth year of the lease period, the terms and conditions governing the annual production within said ten year period shall be determined by the President: *Provided*, That if in the judgment of the President the interests of national defense and agriculture will obtain the benefits resulting from the maintenance of nitrogen fixation plant Numbered 2 or its equivalent in operating condition by so doing, then he is authorized to substitute the production of phosphoric acid (computed as phosphoric anhydride P_2O_5) for not more than 25 per cent of the nitrogen production herein specified at the rate of not less than 4 tons of phosphoric acid annually for each annual ton of nitrogen for which the substitution is made.

Also in the last paragraph of section 4 the numeral (1) and the language in the last line of this paragraph is stricken out and in lieu of the same the following was inserted "8 per centum above the fair annual cost of production."

The next important change is in section 5 which strikes out of the Senate amendment in lines 8 and 9 the phrase "either separately or as a whole" and inserts in lieu thereof after the word "act" in line 9, the following, "as a whole."

In line 11, section 5, after the word "that" the following was inserted:

The terms and conditions being equal, the said lessee shall have the preferred right to negotiate with the United States for a lease upon such terms as may then be prescribed by Congress: *And provided further*, That if the United States shall terminate said lease at the end thereof, it shall resume full possession of its property by and in consideration of a payment to the lessee of the then fair value of the improvements upon or in connection with said property, made by the said lessee and which are dependent for their commercial usefulness to the lessee, in the production of fertilizer and fertilizer products, upon the continuation of the lease.

Also in section 5, in line 6, page 23, after the word "less," the words "in the aggregate" are inserted and in the following line after the words "per centum" the words "for the period of the lease" were inserted. Also in section 5, in line 8, after the numeral "2"

the remainder of the page and also lines 1 and 2 on page 24, to and including the period in line 2, were stricken out and the following language inserted: "and Dam Numbered 3: *Provided, however,* That no interest payment shall be required upon the cost of the locks at Dam Numbered 2 and Dam Numbered 3 nor upon an additional amount to be determined by the President as representing the value of this development to navigation improvement."

Also in section 5 on page 24 in lines 6 and 7 strike out the following language: "Dam Numbered 2 and the operation of the locks connected therewith" and insert in lieu thereof the following:

Dams Numbered 2 and 3 and the lessee shall be required to supply sufficient electrical power to operate all navigation locks at Dams Numbered 2 and 3, free of cost to the United States.

Also in section 5, lines 9 and 10, on page 24, the words, "Dam Numbered 2" are stricken out and the words "Dams Numbered 2 and 3" are inserted.

Also in section 5, the following change was made in line 14. The period is stricken out, a semicolon inserted, and the following language added:

Provided, however, That the lessee shall not be required to guarantee the stability of the leased dams nor assume responsibility in case of loss due to acts of Providence nor of enemies of the Government.

Also in section 5, on page 24, the lines 18 to 25, inclusive, are stricken out and in lieu thereof the following language is inserted:

terminable upon 6 months' notice at the option of the United States whereupon the United States shall proceed immediately to maintain and operate the leased properties as provided herein: *Provided,* That the United States shall have shown in proceedings in equity in the United States District Court that said failure has actually occurred: *And provided further,* That such court action shall have been sought within one year following the alleged breach of said contract.

The next change of consequence is found on page 30 which strikes out the subsection (h) and in lieu thereof substitutes the following language:

(h) To require an agreement of its officers or employees that said corporation may obtain domestic or foreign patents upon all discoveries or inventions of said officers or employees made while in the employ of the corporation, and that said patents shall be and become in whole or in part the property of the corporation.

This change is made to more definitely express the purpose of the subsection.

The next important change is in line 24 of section 7 on page 31 which strikes out the word "of" and inserts in lieu thereof the words "not exceeding." The purpose of this amendment being to change the interest rate from a flat 5 per cent to that of a rate not exceeding 5 per cent on the bonds of the corporation.

The next change strikes out on page 32 of the Senate amendment all of line 8 after the word "President" and all of lines 9, 10, 11, 12, 13, 14, and 15.

The next change of importance is in lines 3 and 4 on page 35, which strikes out the words "and directed."

Also section 8 was changed by striking out the period at the end of the section, inserting a comma, and adding the following:

and the President is hereby authorized to include Dam Numbered 3 in the same lease with Dam Numbered 2 and, except as otherwise indicated, said

lease shall be under the same terms as are herein specified for Dam Numbered 2. The appropriation of \$3,472,487.25, the same being the amount of the proceeds received from the sale of the Gorgas steam power plant is hereby authorized for the continued investigation and construction by contract or otherwise as may be necessary to prosecute said project to completion. Further expenditures to be paid for as appropriations may from time to time be made by law.

The next important change strikes out section 9 and substitutes new language for section stricken out and merges sections 10 and 11:

SEC. 9. That the surplus power not required for the fixation of nitrogen or for the manufacture of fertilizers or other useful products which will reduce the cost of the fertilizers or contribute to the usefulness of the project for national defense shall be sold for distribution: *Provided*, That all contracts for the sale of said power for public utility or industrial purposes shall contain the proviso that said power may be withdrawn on reasonable notice at any time during the lease period if and when said power is needed for the manufacture of fertilizers.

The next change is the addition of a new section (section 10) providing for investigation and experimentation by the lessee and fixing the amount to be annually expended for the first 10 years.

The next important change is in the new section (section 11) of the substitute for the Senate amendment, which provides for the authorization for the employment and compensation of advisory officers, experts, agents, or agencies to enable the President to carry out the purposes of this act.

Section 12 of the substitute was not included in the Senate amendment but was contained practically in the same form in the bill as it passed the House.

Section 13 is a substitute for the language in the Senate amendment contained in lines 1 and 2 on page 39.

The foregoing covers all the material changes made in the Senate amendment.

There are a number of unimportant amendments, such as the substitution of the word "nitrogen" for the word "nitrate," and other similar changes.

The title to the bill was changed to conform to the bill as changed by the Senate amendment and the substitute agreed upon by the conferees.

JOHN C. MCKENZIE,
JOHN M. MORIN,
PERCY E. QUIN,
Managers on the part of the House.

